

GYÖRGY MATOLCSY
GOVERNOR



THE CENTRAL BANK OF HUNGARY

Adam Glapinski

Governor

Narodowy Bank Polski

Central Bank of Poland

Budapest, 30 November 2023

Dear Governor Glapinski,

Thank you for your letter. It fills me with regret to hear about the accusations against the Governor of the Narodowy Bank Polski. I would like to assure you that the Magyar Nemzeti Bank supports and stands with the Governor of the Narodowy Bank Polski and refuses all attacks on the independence of the central bank.

The current economic environment poses unprecedented challenges globally, with inflation at elevated levels in many countries, subdued economic growth and substantial geopolitical risks.

The Central and Eastern European region faces a notably challenging predicament. The countries in the region must bear an unproportionally large share of the consequences of the Russia-Ukraine war: the inflationary pressure has been stronger and a negative impact on growth has been more substantial than in other parts of the continent. The volatility has been increased by higher geopolitical risk premium resulting from the region's geopolitical situation. Consequently, preserving stability in such an uncertain environment is particularly important and requires a significant effort in itself.

Under such circumstances, the presence of credible and independent institutions, that are widely accepted by the society are needed. Based on historical experience, central bank independence is a value of paramount importance in addressing challenges, including the containment of inflation.

The Central and Eastern European region and the CEE financial markets are highly interconnected, any uncertainty arising from questioning the independence of the Narodowy Bank Polski may have a significant negative effect on the financial markets and real economy not only in Poland but in other countries in the region as well. Preserving the stability in Poland holds critical importance, not solely for the CEE region but also from the perspective of the entire European continent.

Central bank independence is one of the most important pillars of the monetary policy framework in which a modern central bank operates. Questioning the independence of a central bank prevents it from performing its duties, impairs the effectiveness of monetary policy and reduces

the public's trust in decision-makers. Eventually, it increases the costs of the central bank's fight against inflation significantly causing harm to the entire country.

Taking the above-mentioned points into account, it is absolutely unacceptable that the Governor of the Narodowy Bank Polski is being attacked for decisions concerning its monetary policy. The Magyar Nemzeti Bank supports and stands with the Governor of the Narodowy Bank Polski and refuses all attacks on the independence of the central bank.

Any attempts to hold the Governor accountable before the Polish Tribunal would be a serious attack on central bank independence and would violate Article 130 of the Treaty on the Functioning of the European Union. The central bank as an independent institution, fulfils its duty of accountability towards the public, and not towards political parties.

From a more distant perspective, jointly with other European central banks, the Polish central bank also constitutes an integral part of the European System of Central Banks (ESCB). As a consequence, such an attack might set a precedent and undermine the ESCB in its entirety, as they carry on their activities in accordance with the provisions of the Treaties and of this Statute.

In conclusion, it is important to underline once again, that any attack on the independence of the Polish central bank is entirely unacceptable, the Magyar Nemzeti Bank supports and stands with the Governor of the Narodowy Bank Polski.

Yours sincerely,


György Matolcsy